

## DEPARTMENT OF BENEFIT PAYMENTS

744 P Street, Sacramento, CA 95814



May 8, 1975

ALL-COUNTY LETTER NO. 75-93

TO: ALL-COUNTY WELFARE DIRECTORS

**OBSOLETE**Superseded by ACL 77-15Issued 3-17-77

SUBJECT: TAX REDUCTION ACT OF 1975 (P.L. 94-12)

REFERENCE: 44-111.3 - EXEMPTION OF PAYMENTS FROM PUBLIC SOURCES  
46-315.1 - PAYMENTS EXCLUDED OR DISREGARDED IN CONSIDERING INCOME  
63-2254 - EXEMPT RESOURCES  
63-2263 - INCOME EXCLUSIONS  
68-104 - NEED STANDARD AND AID PAYMENTS  
69-105.2 - NEED STANDARD, AID PAYMENTS, AND PROPERTY

The purpose of this letter is to state DBP policy with respect to various provisions of the Tax Reduction Act of 1975 in the AFDC, SSI/SSP, Food Stamp, Repatriated Americans, and Cuban Refugee programs.

Tax Rebates

New Section 6428 of the Internal Revenue Code provides that in computing the 1974 tax liability, each individual shall be deemed to have already made an advance payment of 10% of his total tax liability. The minimum credit is the lesser of the individual's total tax liability or \$100 (\$50 in the case of a married individual filing a separate return). The maximum credit is \$200 (\$100 in the case of a married individual filing a separate return) subject to a reduction based on adjusted gross income. In most cases, all or a portion of this payment will be returned to the recipient as a tax rebate.

Section 102 of the Act specifically exempts such payments from consideration as income or resources during the month of receipt in determining the individual's or his family's eligibility or amount of benefit under any federal program or federally assisted state program. Any portion of the payment retained by the recipient in the month following receipt would be considered a resource. The programs in which the exemption will apply include AFDC, SSI/SSP, EVH, Food Stamps, Repatriated Americans, and Cuban Refugees.

When the recipient receives the payment as a separate tax rebate, the entire amount is exempt. When the payment is combined with a tax refund otherwise due, only the rebate portion is exempt. When the payment is wholly or partially abated against a tax liability, only the remaining amount paid to the recipient is exempt. A refund may be distinguished from a rebate by an

examination of the Treasury warrant and a comparison with the recipient's copy of his Form 1040 or other records. A warrant for payment of a rebate will be printed with the letters "REB." A warrant for payment of a refund will be printed with the letters "REF." A warrant containing a combination of a refund and a rebate will be printed with both sets of letters. In the last case the amount of the rebate will not be specified and the counties will have to examine the recipient's other records to make a determination.

IRS can provide general tax information, but they should not be contacted for information about a particular recipient.

#### Cash Payment to Social Security Recipients

Section 702 of the Act provides for a \$50 one-time cash payment to each individual who was eligible for the month of March 1975 for any one of the following benefits: (1) a monthly OASDI benefit under Title II of the Social Security Act; (2) a monthly annuity or pension under the Railroad Retirement Act of 1935, 1937, or 1974; or (3) an SSI benefit under Title XVI of the Social Security Act. The address of such individuals must have been located within the United States and eligibility to more than one program does not entitle an individual to more than \$50. Individuals whose application for such benefits is currently pending or on appeal will be eligible to the \$50 if their retroactive check for March 1975 is issued no later than August 31, 1975.

Section 702(c) of the Act specifically exempts the \$50 payment from consideration as income or resources in the month received and resources for the balance of 1975 in determining the individual's or his family's eligibility or amount of benefit under any federal or state program based on need. The programs in which the exemption will apply include AFDC, SSI/SSP, EVH, Food Stamps, Repatriated Americans, and Cuban Refugees.

The \$50 payment will be paid by Treasury warrant and will not be combined with any other payment. The Social Security Administration estimates that the warrants will be mailed in May, and there will be an enclosed stuffer to identify the payment.

#### Aid to the Potentially Self-Supporting Blind

Since APSB is totally state funded, neither of the exemptions authorized under Section 102 nor Section 702 of the federal law will apply to that program. Under current law and regulations, the county is required to treat both the tax rebate and the special \$50 payment as income to APSB recipients. You are still required to count these monies as income even though there is proposed legislation (SB 819) that will, if passed, extend these exemptions to the APSB program retroactively to May 1, 1975. If the rebate is counted as income, and the legislation passes, the recipient will have been underpaid and the counties can correct this error. If the legislation fails, however, the recipient will have had available his normal net spendable income and will not have been overpaid. We will notify the counties immediately if this bill is enacted.

### Extension of WIN Tax Credit

Although this tax provision does not provide a direct cash benefit to the recipient, it will be a significant factor in the operation of the AFDC program. Current tax law provides a tax credit to employers of 20% of the wages paid to AFDC recipients in a WIN-OJT placement. This Act extends such tax credit to wages paid to any AFDC recipient hired after March 29, 1975. For purposes of this provision, an AFDC recipient is any employee who is certified as having continuously received aid during the 90-day period immediately preceding the date such individual is hired, who remains employed full time for longer than 30 consecutive days, who has not displaced any other individual from employment, and who is not a "migrant worker." This tax credit will be available for any wages paid or incurred before July 1, 1976.

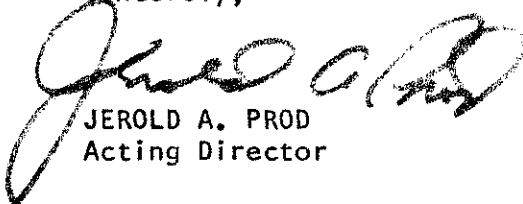
This tax credit provision will be of great assistance in helping AFDC recipients to enter the private employment sector and its purposes are fully supported by the Department. Some state and county involvement will be required in the certification process; however, exact responsibilities have not yet been spelled out by federal regulation. You will be advised when further information is received.

### Income Tax Rebate Stuffer Notice

All County Letter 75-27 suggested that a stuffer notice be sent to all AFDC households to remind recipients to report their income tax refunds as income on the WR 7. It is now apparent that clarification on the treatment of income tax rebate verses income tax refund is necessary. Therefore, an English and Spanish Language notice is attached as a suggested stuffer to be sent to all AFDC households.

If you have any questions regarding this letter, please contact the appropriate Program Management Branch of the Department.

Sincerely,



JEROLD A. PROD  
Acting Director

Attachment

cc: CWDA

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Employment Development Department  
800 Capitol Mall  
Sacramento, CA 95814

Dr. Jerome A. Lackner, Director  
Department of Health  
744 P Street  
Sacramento, CA 95814

"SUGGESTED NOTICE TO RECIPIENTS REGARDING INCOME TAX REBATES"

YOU MAY BE RECEIVING A TAX REBATE IN ADDITION TO YOUR INCOME TAX REFUND

If you receive a Federal income tax rebate, it will not affect your eligibility and grant status. You must, however, report an income tax refund on your Monthly Income Report Form WR 7. You can tell the difference between an income tax rebate and an income tax refund by looking at your income tax check. On the right hand side below the dollar amount, will be letters REB to indicate rebate or REF to indicate refund. If both REB and REF appear on your income tax check, you should present your income tax records (or Form 1040) to your eligibility worker in order that the rebate and refund portions can be determined.

PUEDE QUE RECIBA USTED UN REINTEGRO ESPECIAL (REBATE) ADEMÁS DEL REEMBOLSO (REFUND) DE LOS IMPUESTOS SOBRE EL INGRESO

Si Ud. recibe un reintegro especial del gobierno federal, no cambiará su elegibilidad o el estado de la subvención suya. No obstante, Ud. tiene que dar noticia del reembolso en el Reporte Mensual de Ingresos, Formulario WR 7. Con examinar los cheques, Ud. Puede distinguir entre el reintegro y el reembolso. Al la derrecha, abajo de la cantidad de dinero que muestra el cheque, habrán las letras REB para indicar el reintegro o REF para indicar el reembolso. Si muestra el cheque ambos el REB y el REF, Ud. debe entregarle su datos de los impuestos sobre el ingreso (o la delcaración de ingresos, formulario 1040) a su trabajador(a) de elegibilidad para que se pueda determinar la cantidad o porción del reintegro y del reembolso.